

31 July 2017

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2017

HIGHLIGHTS

- Technical programs continued under First Quantum Minerals Ltd. (FQM) management at the Sese Joint Venture Project (“Sese JV”), with the following work performed during the quarter:
 - A conceptual study of the proposed power station design was completed, determining that Sese coal is a suitable fuel for either pulverised coal boiler technology (PC) or circulating fluidised bed boiler technology (CFB).
 - Fuel specification datasheets were completed for both PC and CFB boilers
 - Study of coal mine scheduling and capital and operating cost estimates for the proposed coal mine were finalised
 - Sese JV Coal Handling and Processing Plant (CHPP) prefeasibility study was finalised
- All project information and technical studies have been incorporated into an Information Memorandum which is suitable for briefing potential lenders to the project.
- Negotiations with Botswana government departments to secure a Generation and Export Licence and suitable transmission and wheeling agreements with the relevant southern African power utilities continued during the quarter.
- In order to conclude these commercial arrangements, FQM has sought to extend the period required to complete its earn-in for 75% interest in the Sese JV beyond the current end date of July 2017. Discussions with FQM on suitable terms of an extension are close to completion.
- TM Consulting (TMC) continued work programs for the Mmamantswe Project to ultimately deliver a formal submission into South Africa’s cross-border IPP procurement program.
 - Power station OEM (original equipment manufacturer) is finalising a report to evaluate boiler sizing and technology, comparing 4 x 150MW sub-critical units with 2 x 300MW super critical units
 - Power station OEM is finalising a preliminary financial model for the power station
 - A joint development agreement between TMC, OEM, EPC contractor and funding parties is close to finalisation
 - Once finalised, a drilling programme will be undertaken at Mmamantswe to upgrade the measured resource (currently JORC 2004) to JORC 2012 standard
 - Land Rights application for Mmamantswe was submitted during the quarter.
- The sale of African Energy’s Zambian uranium projects to TSX-V listed GoviEx Uranium Inc. is expected to close in August 2017. African Energy will receive consideration of 3.0M GoviEx shares and 1.6M common share purchase warrants.
- At 30 June 2017, the Company had cash reserves of AU\$3.4M.

OUTLOOK FOR NEXT QUARTER

Sese JV (39% AFR)

- Finalise a formal variation of FQM's earn-in period in Sese JV
- Finalise discussions with Botswana Department of Energy, Botswana Power Corporation and the Ministry of Mineral Resources, Green Technology and Energy Security regarding and Generation and Export Licence for power sales to Zambia and the region
- Update the Block-C coal resource to Measured Resource category.
- Execute water supply agreement
- Amend the approved Environmental Impact Assessment to accommodate 500MW of power generation
- Continue discussions with regional power utilities to finalise commercial agreements for power wheeling and transmission into Zambia

Mmamabula West Project (100% AFR)

- Ongoing hydrogeological observations for the ESIA baseline study.
- Submit updates to the Environmental and Social Impact Assessment to the Department of Environmental Affairs in Botswana
- Evaluate the results of the infill drilling and establish a measured resource in the proposed mining area for an initial 600MW power station fuel supply.

Mmamantswe Power Project (100% AFR, operated by TM Consulting)

- Infill core drilling to upgrade the coal resource to JORC 2012 Measured Resource category.
- Continue Phase 2 of the feasibility study for the proposed coal mine and CHPP.
- Commence detailed power station design studies.

Corporate

- Complete sale of Zambian uranium portfolio to GoviEx Uranium Inc. expected by 31 August 2017

PROJECTS

Sese JV Overview (AFR 39%, FQM 61%)

- FQM acquired a 51% interest in the Sese Project in January 2015 and are increasing their interest to 75% by investing a further A\$7.0M from 1 July 2017.
- Once FQM has reached a 75% project interest, AFR's ongoing 25% interest in all projects undertaken in the Sese JV will be loan carried through to commercial operation.
- FQM spent A\$0.52M in the quarter and has spent A\$5.0M to date since their initial investment on January 2015 and currently own 61% interest in the Sese Project.

Sese (ML 2016/42ML, PL96/2005)

- The independent resource consultant has integrated data from recent technical programmes into the existing resource model and will prepare an update to the Measured Resource in the next quarter. This update includes more detailed drilling than previous Measured Resource estimates, and will be to JORC 2012 standard. The revised resource estimate will provide the basis for a mining reserve statement in due course.
- Technical studies for the Sese coal and power project have largely been completed, including:
 - A conceptual study of the proposed power station design was completed, determining that Sese coal is a suitable fuel for either pulverised coal boiler technology (PC) or circulating fluidised bed boiler technology (CFB).
 - Fuel specification datasheets were completed for both PC and CFB boilers
 - Study of coal mine scheduling and capital and operating cost estimates for the proposed coal mine
 - Sese JV Coal Handling and Processing Plant (CHPP) prefeasibility study
- Final detailed engineering studies and completion of a formal mine plan will be completed once commercial aspects of power wheeling and transmission have been finalised.
- African Energy is assisting FQM on the commercial aspects of power wheeling and transmission, including engagement with the regional power utilities, the Southern African Power Pool and SADC Energy Regulator.
- Permitting:
 - Discussions with Department of Energy, Botswana Power Corporation and the Ministry of Mineral Resources, Green Technology and Energy Security regarding and Generation and Export License for power sales to Zambia and the region, were ongoing during the period
 - The Ministry of Finance and Economic Development has approved several fiscal incentives for the project as requested under a Manufacturing Development Approval Order. The principal incentives are that the power generation business will be granted a five-year tax holiday from its first year of commercial operation, followed by a preferential 15% tax rate for the life of the project.

- Sese Power will formalize this approval through a Tax Agreement to be approved by Botswana's National Assembly, following which the Tax Agreement will become a Statutory Instrument that will form part of the Subsidiary Legislation under the Income Tax Act.
- Terms of a Water Supply Agreement were finalised in the quarter and this agreement is expected to be executed during the next quarter
- The approved 300MW Environmental and Social Impact Assessment for the Sese Integrated Power Project will ultimately be updated to seek supplementary approvals for up to 500MW of power generation (staged development of 2 x 225MW units) and the associated minor increase in volumes of coal mining and processing and airborne emissions.

Sese West (PL197/2007)

- Resource modelling and estimation calculations completed to upgrade NE corner of PL to measured resource status
- Finalising documentation of measured resource update

Foley North (PL004/2013)

No field programs were undertaken during the quarter.

Mmamabula West Project, Botswana (AFR 100%)

Overview

- The Mmamabula West project contains two ~5m thick coal seams (K-Seam, A-Seam) and is being developed as an integrated underground coal mine and 600MW power station for submission into the South African cross-border IPP procurement program.
- In April 2016, South Africa gazetted an updated notice amending its coal-fired, baseload, cross-border IPP procurement program to 3,750MW. Procurement is to be managed via the IPP Office on behalf of the Department of Energy, and can be via direct negotiation for grid connection as soon as possible.

Permitting

- An application for a further two-year extension to the term of Mmamabula West Prospecting Licence PL56/2005 was submitted to the Department of Mines in November 2016, however the extension is yet to be approved due to a back-log of licence renewals in the Department of Mines.
- An application for Land Rights over the project area and grid connection corridor was submitted in January.
- An amendment to the environmental and social impact assessment (ESIA) to include 600MW of power generation plus grid connection to BPC's Isang sub-station has been submitted to the Department of Environmental Affairs. Preliminary feedback from various stakeholders has been received and minor amendments are under preparation for final review.

- Ongoing hydrogeological baseline studies were recorded during the quarter.

Mmamantswe Integrated Power Project, Botswana (AFR 100%)

Overview

- The Mmamantswe project is 20km from the border with South Africa and has been previously evaluated by Eskom for integration into the South African grid.
- In December 2015, the Company executed a binding Share Sale Agreement under which it will sell the Mmamantswe Coal and Power project to TM Consulting (TMC) for US\$20 million, subject to certain conditions being met, principally the financial close of a 600MW integrated power project.
- TMC and its partners continued to advance the Mmamantswe Coal to power project during the quarter.
 - Power station OEM (original equipment manufacturer) is finalising a report to evaluate boiler sizing and technology, comparing 4 x 150MW sub-critical units with 2 x 300MW super critical units
 - Power station OEM is finalising a preliminary financial model for the power station
 - A joint development agreement between TMC, OEM, EPC contractor and funding parties is close to finalisation
 - Once finalised, a final round of drilling will be undertaken at Mmamantswe to upgrade the measured resource (JORC 2005) to JORC 2012 and SAMREC 2012 standard
- The Mmamantswe Prospecting Licence PL69/2007 is valid until 31st December 2018.
- An application for Land Rights over the project area, project access corridor and grid connection corridor has been submitted.

Global Resources for African Energy's Coal Projects in Botswana

Sese Project: Resource Summary (Raw coal ADB, 61% FQM, 39% AFR)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED (Bk-C)	333 Mt	17.6	4,200	30.2	7.9	20.6	41.4	2.1
MEASURED (Bk-B)	318 Mt	16.0	3,820	34.8	7.4	20.4	37.4	1.7
INDICATED	1,714 Mt	15.3	3,650	38.9	6.6	18.7	35.8	2.0
INFERRED	152 Mt	15.0	3,600	39.1	6.4	19.5	34.9	2.2
TOTAL	2,517 Mt							

Sese West Project: Resource Summary (Raw coal ADB, 61% FQM, 39% AFR)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
INFERRED	2,501 Mt	14.6	3,500	40.2	6.1	19.8	31.9	2.0
TOTAL	2,501 Mt							

Mmamabula West Project: Resource Summary (Raw coal ADB, 100% AFR)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
INDICATED	892 Mt	20.2	4,825	25.5	6.0	26.0	41.0	1.5
INFERRED	1,541 Mt	20.0	4,775	25.5	5.7	25.9	41.2	1.7
TOTAL	2,433 Mt							

Mmamantswe Project: Resource Summary (Raw coal ADB, 100% AFR)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED	978 Mt	9.5	2,270	56.5	3.9	15.8	21.8	2.0
INDICATED	265 Mt	7.9	1,890	62.3	3.3	14.2	18.1	2.1
INFERRED	N/A							
TOTAL	1,243 Mt							

* In-Situ tonnes have been derived by removing volumes for modelled intrusions, burnt coal and weathered coal and then applying geological loss factors to the remaining Gross In-Situ Tonnes

The Coal Resources quoted for the Sese, Mmamabula West and Mmamantswe Projects in the table above have been defined in accordance with the practices recommended by the Joint Ore Reserves Committee (2004 edition of the JORC Code). Sese West is reported as per the 2012 edition. There have been no material changes to any of the resources since they were first announced.

Mining tenements held at the end of the quarter and their location

	Interest at beginning of quarter	Interest at end of quarter	Location	Commodity
ML2016/42L (Sese ML)	-%	39%	Botswana	Coal, U
PL096/2005 (Sese PL)	45%	39%	Botswana	Coal, U
PL197/2007 (Sese West)	45%	39%	Botswana	Coal, U
PL004/2013 (Foley North)	45%	39%	Botswana	Industrial
PL069/2007 (Mmamantswe)*	100%	100%	Botswana	Coal
PL056/2005 (Mmamabula West)	100%	100%	Botswana	Coal
12634-HQ-LML (Chirundu ML)**	100%	100%	Zambia	U
13265-HQ-LPL (Chirundu PL)**	-%	-%	Zambia	U
19800-HQ-LPL (Kariba Valley)**	100%	100%	Zambia	U
20612-HQ-LPL (Sinazongwe)	100%	100%	Zambia	Coal
16566-HQ-LPL (Sinazongwe Central)	100%	100%	Zambia	Coal

* Mmamantswe subject to conditional sale agreement to TM Consulting

** Chirundu ML, Chirundu PL and Kariba Valley subject to binding sale agreement to GoviEx Uranium Inc.

Dr. Frazer Tabcart
Managing Director

Full details for all projects including location maps, tenement schedules and technical descriptions may be found on the African Energy Resources website at: www.africanenergyresources.com

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this announcement was prepared under the JORC Code 2012. References to "Measured, Indicated and Inferred Resources" are to those terms as defined in the JORC Code (2012 edition).

Information in this report relating to Exploration results, Mineral Resources or Ore Reserves is based on information compiled by Dr Frazer Tabcart (an employee and the Managing Director of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabcart has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person under the 2012 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Tabcart consents to the inclusion of the data in the form and context in which it appears.

For any queries please contact the Company Secretary, Mr Daniel Davis on +61 8 6465 5500

Appendix 5B

Mining exploration entity quarterly report

Name of entity	
African Energy Resources Limited	
ABN	Quarter ended ("current quarter")
45 123 316 781	30 June 2017

Consolidated statement of cash flows	Current quarter (3 months) \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(103)	(438)
(b) development	-	-
(c) production	-	-
(d) staff costs	(134)	(475)
(e) administration and corporate costs	(111)	(466)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	76
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(347)	(1,302)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

Consolidated statement of cash flows		Current quarter (3 months) \$US'000	Year to date (12 months) \$US'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,964	3,943
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(347)	(1,302)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	6	(19)
4.6	Cash and cash equivalents at end of period	2,622	2,622
5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter (3 months) \$US'000	Previous quarter (3 months) \$US'000
5.1	Bank balances	604	946
5.2	Call deposits	2,018	2,018
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,622	2,964

6. Payments to directors of the entity and their associates

**Current quarter
\$US'000**

6.1	Aggregate amount of payments to these parties included in item 1.2	157
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payment of director fees

7. Payments to related entities of the entity and their associates

**Current quarter
\$US'000**

7.1	Aggregate amount of payments to these parties included in item 1.2	31
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Payments to Mitchell River Group for administration and technical staff and provision of a fully serviced office

8. Financing facilities available

Add notes as necessary for an understanding of the position

	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1	-	-
8.2	-	-
8.3	-	-

8.1	Loan facilities
8.2	Credit standby arrangements
8.3	Other (please specify)
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9. Estimated cash outflows for next quarter

\$US'000

9.1	Exploration and evaluation	65
9.2	Development	-
9.3	Production	-
9.4	Staff costs	195
9.5	Administration and corporate costs	125
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	385

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased	Sese ML		-%	39%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Daniel Davis
Company Secretary
Date: 31 July 2017

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.